

SAVE WISELY SPEND HAPPILY

Real Stories About Money &
How to Thrive from Trusted Advisors



SHARON L. LECHTER, CPA
with 125 contributing CPAs

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Chapter 1: Goal Setting



“If you don’t know where you are going, you’ll
end up someplace else.”

- Yogi Berra

“Goals are the fuel in the furnace of achievement.”

- Brian Tracy, *Eat That Frog*

What were your New Year’s resolutions? More than likely they all established some sort of goal for you to attain. “I will lose 50 pounds by June.” “I will exercise at least 3 times every week.” “I will increase my business profits by 25% this year.” “I will find a new house in a better neighborhood.” Setting a goal is easy. Achieving it requires dedication, focused effort, and persistence.

When you set a goal, you are making a choice to direct your efforts toward a desired outcome. Just making that choice can be empowering and provide the focused energy you need to spur your effort toward success. For example, if you want to increase the number of miles you run per day from one to two, simply stating the goal may provide you with the renewed vigor and persistence needed to successfully achieve the goal.

There are many ways to engage in goal setting, but none will create sustainable success unless you change your behavior to achieve the goal. When we combine goal setting with money matters, it gets even more complex. The emotions that surround money and our relationship with money can derail us from our goals quickly if we are not focused and committed to changing our behavior.

The process I find the most useful in setting goals for both my personal and professional lives is to develop SMART goals. SMART is a mnemonic believed to have originated with the November 1981 issue of *Management Review* by George T. Doran:¹

- S - Specific
- M - Measurable
- A - Attainable
- R - Relevant
- T - Time-bound

SMART GOALS

Specific

A specific goal will focus your attention on a specific outcome. It usually addresses the six “W” questions. *Who* else is involved in achieving my goal? *What* do I want to accomplish? *When* do I want to accomplish my

¹ Source: Doran, G. T. (1981). There’s a S.M.A.R.T. way to write management’s goals and objectives. *Management Review*, Volume 70, Issue 11(AMA FORUM), pp. 35-36.

goal? *Where* do I want to achieve my goal? *Why* is it important for me to achieve my goal? *Which* obstacles or issues stand in the way of achieving my goal?

Measurable

The ability to measure progress toward your goal is essential to help you stay on track, reach target benchmarks and dates, and most importantly, to experience the exhilaration of achievement that keeps you motivated. The unit of measurement needs to address one or more of the following: how much, how many, and how will I know when the goal is achieved?

Attainable

Your goal should be realistic and reachable while at the same time making you stretch just a little outside of your comfort range. That little extra stretch helps motivate you to achieve something that is important to you and helps you figure out ways you can make your goal reality. It creates the positive attitude, ability, skill, and financial capacity that helps you identify previously overlooked opportunities to reach the goal. It will help you chart a course of *how* you will accomplish your goal.

Relevant

Does reaching your goal really *matter* to you? The more achieving a goal matters to you, your family, or your team, the more relevant it becomes. Simply ask yourself: Is the goal worthwhile? Is this the right time for this goal? Does it align with my other efforts and goals? A relevant goal will answer these questions with a resounding, “Yes!”

Time-bound

Often the day-to-day grind of life makes us lose focus on our SMART goals. Setting a timeframe with a target date for completion creates a sense of urgency and keeps your focus on the intended outcome. Start with the big picture, “When *must* I complete the goal?” and then break it down into smaller achievable milestones. “What can I do today, this week, or this month.”

SMART GOAL APPLICATION

Reality often dictates that our goals be revisited—and revised. The past few years of economic turmoil have forced many of us to revisit our financial goals and objectives with the sobering understanding that our previously set goals and expectations are no longer realistic. Many people feel disenfranchised and angry about the impact the economy has had on their nest-eggs and retirement savings. Several CPAs from around the country share how they helped their clients weather the economic storm by focusing on their goal-setting process and finding the initiative and persistence to persevere. Angie M. Grainger, a CPA from California, shares the following two stories.

5 Steps to Stay on Track with Your Goals

No more long days on patrol. It's finally time to relax and enjoy life. I chose a career as a police officer because I knew that it would give me a secure retirement. – Sam

After working more than two decades in dangerous places and sacrificing many other desires, Sam and his wife Lisa were ready for retirement. After he retired, Sam went back to school to follow his passion for computers and when he finished, launched a small technology consulting business. However, the excitement soon wore off when Sam realized that his part-time retirement gig was not something he was truly doing for pleasure, but something he had to do to make ends meet. This was not the retirement that he had anticipated.

Despite having saved and planned for retirement, Sam and Lisa had refinanced their home a few times and now were underwater—they owed more than it was worth. In addition to their 25-year mortgage, Sam and Lisa had credit card debt as well as unanticipated start-up costs for Sam's consulting business.

Through a money coaching process, Sam and Lisa were able to redefine their life based on meaningful goals and heart-values, and create a plan to reshape their retirement based on the reality of their current current situation. To achieve these new goals, however, they had to become disciplined and consistent.

The steps they took may help you in designing your own goal-setting process.

1. **Clearly define your 5-year goals.** *Start with a clear picture of what you want. A 5-year picture is best, any longer may appear unachievable. Being clear about what you want will allow you to create a meaningful and happy life. (For instance, “I want to be debt-free in 5 years.” “I want to buy a house in 5 years.” “I want to have a 10-day vacation next year.”) As you set your goals, be sure to include your spouse or significant other. Your likelihood of success will be greater if you work together as a team to achieve your goals.*
2. **Create short-term targets.** *Once you have a 5-year picture, break it into short-term targets. Start with a target goal for 1 year from now and then break that 1 year target into 90-day mini-targets. Include all areas of your life that need to be adjusted, not just your financial goals. Set targets for your financial life related to savings, debt, income, and spending; but also set targets for your career, relationships, living situation, leisure, health, and anything else that affects your happiness.*
3. **Work a weekly task list.** *With your 90-day targets, the best way to stay on track is to have a plan that encourages you to take action daily. Start by setting a weekly time for your planning (I like Monday mornings at 9 a.m.). On a piece of paper, write your 90-day targets on the left side, and on the right list the next steps that you need to take this week. Breaking any goal into manageable tasks is really important and will prevent you from becoming overwhelmed.*
4. **Honestly assess yourself.** *During your weekly planning, honestly assess your progress. Celebrate your successes when you accomplish tasks and when you don't, ask yourself why. A common reason for procrastinating is that the task is just too big. For example, if your task was to put \$50 per week into a retirement account, and you haven't done that yet, perhaps there's something that needs to be done first. For example, the next step might be to determine which type of account you will use. The next step from there would*

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be to open the account. Then set up automatic payments. You see? Breaking it down into smaller parts will help you actually take action instead of procrastinating.

- 5. **Don't quit.** This is probably the hardest step. When you get frustrated, overwhelmed, or too busy, it's easy to forget or postpone your tasks or to just plain give up. Don't. Even if you've skipped a few tasks, just pick up where you left off and get back on track. When you're trying to make changes in your life, you will run into hard spots, resistance, confusion, or even anger. Learning to work through these issues is how you'll accomplish your goals.*

Each Monday at noon, Sam and I sit down and discuss our finances. Our weekly meetings help us have meaningful discussions, work together as a team, stay accountable, and put structure in place so we can stop stressing about money and enjoy our retirement. – Lisa

To accomplish your goals, you must stay on track—daily, weekly, and monthly. These five steps will help you build a structure to gain the discipline needed to actually achieve your goals, not just dream about them.

***Angie M. Grainger, CPA/PFS, CFP®**
Rethink Money Coaching, Inc.
Santa Rosa, CA*

SMARTER GOALS

Angie's clients were able to deal with their emotions around money by creating a systematic plan to achieve their new goals. Instead of staying angry and feeling victimized by the economic downturn, they took control of their financial situation and created a roadmap for their future. As a result they have lessened their stress about money and can now enjoy and celebrate their achievements toward their new financial plan goals.

Once you start working toward your SMART goals, you'll want to make them SMART-ER. The E stands for "Evaluate" and the R stands for "Reevaluate." Sam and Lisa were forced to reevaluate their goals due to

the economic downturn and as a result felt more in control of their destiny. However, we all need to evaluate our goals periodically to see if they still align to our own core values and dreams. Angie Grainger's second story tells how Shawn and Lori made the choice to revise their goals due to an unexpected opportunity.

6 Key Questions to Ask When Making Sound Financial Decisions

We were excited to get the call that our youngest son was on a surprise leave from his tour in Afghanistan. It wasn't in our budget to take another trip this year; however, we understood the effect that an unanticipated trip would have on our goals, and decided we were willing to accept the consequences. We picked up the phone and made our travel arrangements to Florida to spend the weekend with him.
 – Shawn and Lori

Working with Shawn and Lori over the past couple years as their money coach, I helped create a decision process that allows them to confidently make decisions. It's not easy to choose between your kids or your retirement, your fun or your responsibilities, but understanding how to make decisions that support your values and create a satisfying life can be empowering.

When faced with tough choices, ask yourself these six questions and your choice will become clearer:

- 1. **Am I clear on my long-term goals and short-term targets?** If you're not clear on your goals, then how do you know what criteria to use in making decisions? More often than not, it becomes your emotions that determine how those decisions are made. Making short-term emotional decisions does not help you achieve the long-term outcomes that you desire. It's much easier to make a decision by knowing whether it will get you closer to or further from your long-term goals.*

- 2. **Have I reviewed my current financial progress?** Making an honest assessment of where you are right now, both financially and*

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with the progress of your life goals, will help you understand the consequences. If you understand where you want to be, and you properly assess where you are today, you will be able to see how your decision will affect your progress.

- 3. **What are the underlying values of your options?** In each decision you make, you are choosing between your values. For example, if you want to take your kids to a baseball game instead of buying a birthday present for your mother, you are choosing between creating fun experiences for your children or expressing your love and care for your mom. Once you understand what the underlying values are, it will be easier to assess which value is more important to you at the time.*
- 4. **What will I have to give up when making this choice?** Understanding that with each choice you make, not only do you gain something you value, you also give up something as well. In the last example, you'd have to give up the time, fun, and excitement with your kids, or you'd have to give up a potentially cherished moment with your mom. This is another way of helping you decide which value is more important to you.*
- 5. **Which choice would I most regret if I didn't choose it?** Now that you're clear on your consequences, financially and emotionally, one final test is to ask yourself which you'd regret most. Imagine your life 5 or 10 years from now. If you had chosen one option over the other, in this case your kids or your mom, can you know which one you might regret most if you hadn't chosen it? This will help you assess the relative importance, but it also may trigger the realization that you may need to make the time to accomplish both in the future.*
- 6. **Are there other ways these options can be met?** Here's the best part. You may be able to find a way to not have to make the choice at all. After determining your core values, you may be able to find other ways to fulfill those values that may not cost any money at all. For example, you could BBQ at the river with your kids and create a memorable experience, and you can frame a heart-felt*

poem for your mom and send it to her (and she'll love you to pieces for it!).

We were surprised how willing we were to give up that fancy car we had dreamed of to have the ability to spend more time with our family. –Shawn and Lori

Being clear on your goals and values significantly eases decision making. Understanding these six questions gives you a process to help you clarify what's most important to you.

Angie M. Grainger, CPA/PFS, CFP®
Rethink Money Coaching, Inc.
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The story of Shawn and Lori is quite powerful and serves as a great reminder that true success involves more than just financial well-being. By understanding your own core values and making sure your financial goal setting is in alignment with those core values, true success and happiness becomes a reality.

So often we try to “keep up with the Joneses” by chasing materialistic goals and sacrifice more meaningful and satisfying personal goals in the process. Wouldn't it be wonderful if we could all learn this early in life?

The following story by Jean-Luc Bourdon, a CPA from California, is about his quest for the definition of success and how he learned at an early age that a few core financial principles were all he needed.

Defining Financial Success

Years ago, my college roommate and I set out on a cross-country study trip. One of our goals was to discover the common characteristics shared by successful individuals. We organized our trip to coincide with regularly scheduled Rotary Club meetings in various communities, where we would ask to be introduced to local community and business leaders.

From California to Georgia, we spoke with the “movers and shakers” of a cross-section of America: a union leader, a federal circuit judge, several business executives, and many entrepreneurs from vari-
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ous industries. None of them offered us a “secret” to success. Rather, the advice they offered us was good old common sense. These successful individuals had a few common threads, which included consistently following their core principles (for example, “set goals,” “finish what you start,” or “if you don’t ask you don’t receive”).

I find it fascinating that small and large successes were built on very simple but consistent principles. As a CPA financial planner, I have observed very large businesses that spelled out the principles on which they were founded and found that many of my clients’ successes had roots in simple principles as well.

My journey has allowed me to recognize the core principles that I was raised with that continue to influence me today. My mother always advised me to stretch my dollar and make the most of what I have. Influenced by this sound wisdom, I was able to put myself through college, and I was creative in figuring out ways to earn the money I needed to take my education further. For example, I started at a community college and took classes by exam (such as CLEP exams). Stretching my dollars is now an automatic way of doing things, like buying clothes on sale or keeping the same car for many years.

In 2008, when the stock market tumbled, I wrote to my clients to remind them of some of the core principles of investing:

- *No wind favors he who has no destined port.*
- *A bird in the hand is worth two in the bush.*
- *Don’t put all your eggs in one basket.*
- *Good things come to those who wait.*

This, I believe helped them maintain a disciplined investment approach to reach their retirement goals. Finding and repeating core principles and financial wisdom from our own experience or others’ can become an automatic and compelling force to achieving our goals.

Jean-Luc Bourdon, CPA/PFS
BrightPath Wealth Planning, LLC
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SO WHY DON'T PEOPLE SET GOALS?

If the formula for success is as easy as Jean-Luc suggests, why are so many of us still struggling? Not only do many Americans fail to set goals for the future, many simply struggle to make it from paycheck to paycheck. Instead of facing the reality and setting goals to improve our financial situation, we bury our heads in the sand. George Cohen, a CPA from Phoenix, Arizona, shares that the economy goes through cycles. Maybe the failure to set goals comes from people getting too comfortable during the good times.

Don't drink the Kool-Aid. Understand that fiscal reality is cyclical. Prepare for the down times by being prudent and thoughtful in the good times.

George M. Cohen, CPA
 McGladrey LLP
 Phoenix, AZ

Melinda Workman, a CPA from Maine, seems to agree with George Cohen. She believes the answer comes down to people living their lives with “wishful thinking.” Her story highlights the importance of the power of choice and how each of us can, and should, choose to set goals that improve our financial lives.

Wishful Thinking

As a CPA who has been in the profession for more than 20 years, I have encountered many individuals and couples who are in financial crisis. They have households that are in a perpetual state of financial chaos and adult children who never seem to launch. I hear a great deal of what I call “wishful thinking.” “I wish I knew where all my money goes” or “I wish our son would be more financially responsible.” Wishful thinking will not change our circumstances. I wish I could be a super model and win the lottery. The reality is I am only 5’0” and on the chubby side, and my chance of winning the

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Maine Powerball this week is 1:175,000,000. Luckily, we don't need wishful thinking to have financial peace of mind.

Wish #1: I wish I knew where all my money goes. Wish Granted:
Open all your mail daily and balance your checkbook monthly. Track your income and expenses on paper or the computer to see where you are actually spending your money.

Repeatedly, I have seen that people who feel out of control with their finances don't open their mail. It is like taking a Band-Aid off a cut. Grit your teeth, grab the letter opener and rip the envelope open. You can't change what you won't acknowledge.

You also need to track income and purchases and balance your checkbook monthly. This involves keeping an ongoing balance either in a checkbook register or by entering data into your spreadsheet daily. Yes, it is stressful and time consuming, but it will show factually where and how you are choosing to spend your money or using a credit card for purchases. It also will reveal how much is being spent in relation to your monthly income. It will become the cornerstone to preparing a workable budget which will lead to financial peace of mind. Money can't spend itself and has no ability to move on its own. You choose how to earn it and you choose how to spend it.

Wish #2: I wish our son would be more financially responsible.

Wish Granted: See wish 1. As parents you are the number one role model for your children with regards to finances. Children are superb mimes, so your actions speak louder than words.

If you don't teach your children from an early age about money, the credit card companies and banking institutions will happily do it for you. Getting your own finances in order is your best teaching tool.

Allowing children to set goals and then allowing them to make choices on how they spend their earnings or allowances in working toward those goals is important. Letting them live with their choices, good or bad, is part of learning. Often as parents we try to make it "all better" when our children make bad choices or suffer

disappointments, but is that truly preparing our children to deal with life as self-sufficient adults? Making mistakes, recovering from them, and then realizing success is a healthy part of the learning process. When your child sets a goal, and then makes good choices and achieves that goal, you will see his or her self-esteem blossom.

Our children will thank us for being the role models they witness every day. There is no substitute for financial peace in our lives, and, once achieved, there is no purchase worth the risk and price of financial chaos.

Financial peace of mind is available to all of us. As adults, it takes a desire to make changes, the willingness to create a plan and set achievable goals, and then just as importantly, the perseverance to stick to that plan.

Melinda Workman, CPA, MBA
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IN SUMMARY

Melinda's story highlights an important issue. It is hard to set a goal if you don't know where you are today, where you want to go, and when you want to get there. If you are experiencing financial chaos right now, force yourself to stop "wishful thinking" and get back in the driver's seat. Start by taking a moment to write down your goals—short-term and long-term, personal and financial. Remember, "a goal is just a wish, until you write it down."

Then take the time to go through the SMART and SMARTER process with each one of your goals, outlining and defining your commitment to those goals. How committed are you to making each of those goals a reality? Be honest with yourself.

As you continue reading this book, particularly the next chapters on budgeting, debt, and credit, make sure you keep your personal goals in mind. As you read each chapter look for helpful suggestions, new ideas, or exciting opportunities that will help speed you on your way to successfully achieving your goals.